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Poultry and Products Annual

Russia Increases Broiler Production and Imports (January-June 2012)

Approved By:
Christopher Riker

Prepared By:
Mikhail Maksimenko

Report Highlights:
FAS/Moscow's import forecast for broiler meat in CY 2012 was increased by 3.0% to 515,000 MTs due to a significant increase in imports from Ukraine. Moreover, FAS/Moscow forecasts Russian broiler imports to grow another 3.0% in 2013, as a result of growing duty free and quota-free imports from Ukraine and Belarus. FAS/Moscow forecasts broiler production in Russia to increase by 6.8% during 2012, to 2.750 MMT, and decreased its forecasted turkey production by 9% for 2012 to 100,000 MT due to slow implementation of State-funded assistance projects. Broiler production in 2013 is forecast to increase by an additional 7.3%, and turkey production to increase by an additional 5%, when compared to 2012. These positive trends in production are due, in large part, to favorable ongoing government support programs, coupled with growing investments from businesses.

Executive Summary:

In 2013, FAS/Moscow forecasts broiler production to increase by an additional 7.3%, and turkey production to increase by an additional 5%, when compared to 2012. This positive trend in production is due, in large part, to favorable ongoing government support programs.

Significant agricultural establishments, the main producers of Russian broilers, increased production by 15.5%, to 2.14 MMT, on a live weight basis, in the first half of 2012. As a result, FAS/Moscow forecasts broiler imports to remain flat in 2013 after anticipated growth of 3% in 2012 (due to an increase in substitution of broiler meat for more expensive pork and beef), when compared to 2011.

Nearly all of Russia's exports of broiler products consist of chicken paws to Asia. However, Russia exported $29.2 million worth of poultry meat and offal to its Customs Union (CU) partners (i.e., $27.4 million to Kazakhstan and $1.8 million to Belarus) in January-May 2012.

FAS/Moscow's import forecast for broiler meat in 2012 was increased by 3.0% to 515,000 MTs due to a significant increase in imports from Ukraine (which grew from 5,171 MT in January-June 2011 to 7,430 MT in January-June 2012) and a higher volume 2012 broiler TRQ (which will increase from 350,000 MT in 2011 to 364,000 MT in 2012). Moreover, FAS/Moscow forecasts Russian broiler imports to grow another 3.0% in 2013, as a result of growing duty free and quota-free imports from Ukraine and Belarus.

According to Global Trade Atlas (GTA), Russia imported 191,245 MT of broiler products in January-June 2012, a 17% increase over the same period in 2011

Given the increase in domestic production, it is anticipated that domestic production will satisfy the needs of the Russian consumers. In fact, it is expected that domestic production, plus imports equivalent to the Russian poultry import TRQ volume (i.e., 330,000 MT which is anticipated to be fully utilized), plus the 70,000 MT of poultry meat already imported from CU member-countries (mainly Belarus) this year, will exceed the needs of the country. The volume of poultry available in the Russian market is expected to increase price competition within the country which may, in turn, encourage poultry exports.

Table 1. Russia: Broiler Production, Supply & Demand, 1,000 MT (ready-to-cook)

Poultry, Meat, Broiler Russia	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Production	2 575	2 575	2 725	2 750		2 950
Total Imports	500	500	510	515		520
Total Supply	3 075	3 075	3 235	3 265		3 470
Total Exports	35	35	50	50		55
Human Consumption	3 040	3 040	3 185	3 215		3 415
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	3 040	3 040	3 185	3 215		3 415
Total Use	3 075	3 075	3 235	3 265		3 470
Total Distribution	3 075	3 075	3 235	3 265		3 470

Data included in this report is not official USDA data. Official USDA data is available at http://www.fas.usda.gov/psdonlineonline.

Production

Broiler production

FAS/Moscow forecasts broiler production in Russia to increase by 6.8% during 2012, from 2.575 MMT in 2011 to 2.750 MMT in 2012. Agricultural establishments, the main producers of Russian broilers, increased production by 15.5%, to 2.14 MMT, on a live weight basis, in the first half of 2012.

In 2013, FAS/Moscow forecasts broiler production to increase by an additional 7.3%. This positive trend in production is due, in large part, to favorable ongoing government support programs. Russia's continued support of domestic poultry production has yielded consistent growth in the broiler production sector.

The Largest Broiler Producers

More than half of Russian poultry is produced by 20 specialized integrated establishments such as ZAO Prioskoliye (14%), OAO Cherkizovo (10%), OAO Severnaya (6.0%), GAP Resurs ((6.0%), OAO Belgrankorm (6.0%), Prodo-trade (5.0%), Belaya Ptitsa (3.0%), OOO LiskoBroiler (2.0%), OAO Chelni Broiler (2.0%), and Agroholding Alpi (2.0%).

Poultry production

Poultry Flock Results at the end of 2011

According to Russia's State Statistical Service (Rosstat), the total domestic poultry flock totaled 471 million head at the beginning of 2012, 4.8% higher than the previous year. Of this, Agricultural establishments held 370 million head, 6.3% higher than the previous year. FAS/Moscow estimates 82% of the Russian flock to be broilers, excluding those which are held on private household plots and which are unlikely to enter the commercial chain. The increases in flock sizes are attributable to favorable ongoing government support programs, coupled with growing investments from businesses.

Table 2. Poultry flock inventories, end of the year, million head

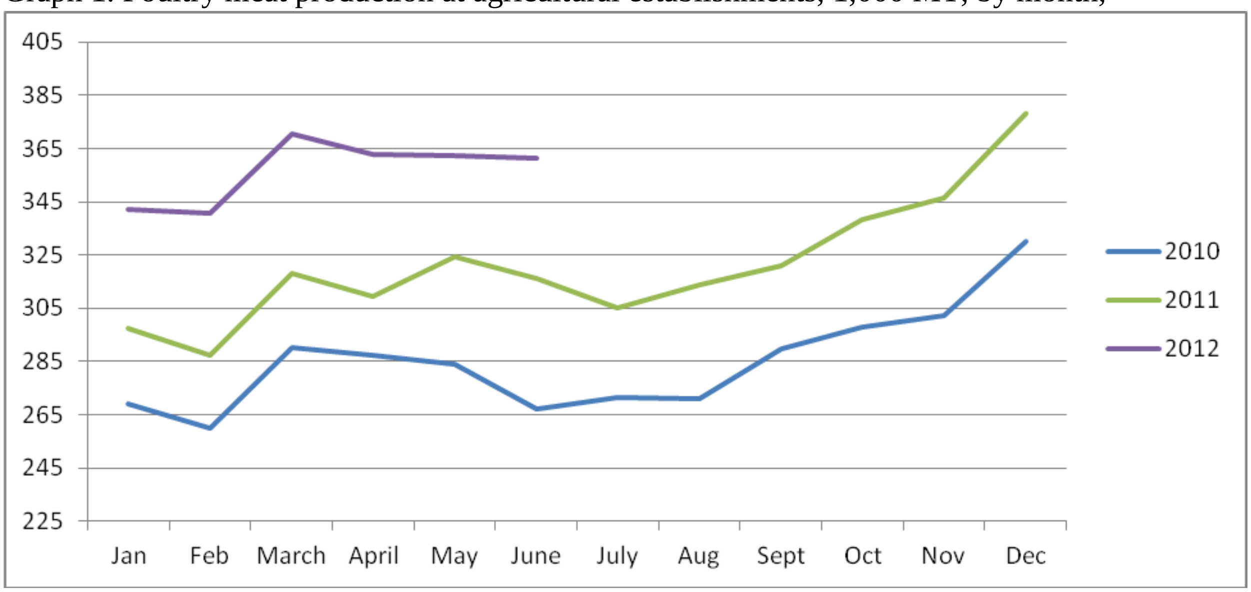
	Calendar year			Year-to-date		
	2009	2010	2011	Jan-Jun 2011	Jan-Jun 2012	%Δ 12/11
All type of farms	434	449	471	473.7	504.8	106.6
Including:						
Agricultural establishments	331	348	370	347.9	378.2	108,7
Private household farms	99	96	96	120.2	119.8	99.7
Private farms	3.9	4.7	5.5	5.6	6.7	119.3

Source: Rosstat

Poultry Meat Production

Russia continues to increase its domestic poultry production, the most developed branch of Russian agriculture. The Russian Union of Poultry Producers (RUPP) estimates 2012 domestic poultry production, at 3.420 MMT, slightly higher when compared to 2011 when poultry production accounted for 3.563 MMT.

Graph 1. Poultry meat production at agricultural establishments, 1,000 MT, by month,



Source: Rosstat, Social and Economic Situation

Production Results in 2011

Russia increased poultry production by 326,000 MT to 3.173 MMT in slaughter weight in 2011. FAS/Moscow estimates, in 2011, that 89% of Russian poultry production was broiler meat, 6.0% was from spent hens and 5% from turkey, geese and ducks.

Poultry Production in 2012

Agricultural establishments increased poultry production to 2,139,200 MT, on a live weight basis, or by 15.5% in January -June 2012 from 1,852,500 MT in January -June 2011. RUPP reports that the 20 largest poultry producers in Russia are expected to be operating at full capacity in 2012, and estimates 2012 production to equal 3.420 MMT (given that all of the 2011 State-funded assistance projects have been accomplished).

Share of Poultry Meat Increases in Total Meat and Poultry Supply

The share of domestically produced poultry meat consumption in the Russian market, as a percentage of total meat consumption, increased from 18% in 1990 to 42% in 2011. The State Program of Agricultural Development for 2013-2020 envisions domestically produced poultry to account for at least 45% of meat available on the Russian market by 2020.

State Support

The Russian Ministry of Agriculture, at a special meeting at the beginning of August 2012, discussed the implementation of the National Poultry Development Program for 2009-2012, (see Gain Report RS1108) as well as how to further develop Russia's poultry industry in 2013-2020 (see Table 6), considering Russia's August 2012 membership in the World Trade Organization (WTO). The Minister of Agriculture indicated Russia reconstructed 400 poultry facilities within the last 5 years which has doubled the country's poultry meat production by 1.8 million in slaughter weight. The Ministry's commission on crediting agricultural projects selected 74 poultry investment projects in 2011 valued at RUR 74 billion (USD $2.3 billion). Most of the projects were presented by the Central (30 projects) and Volga regions (24 projects); where the predominance of Russian poultry production occurs. The fastest growth was reported in Belgorod, Leningrad, Voronezh, Rostov, Chelyabinsk, as well as in oblasts in Krasnodar Kray and the Republic of Tatarstan. The government also dedicated RUR 164.5 million (approximately USD $5 million) towards increased subsidies for breeder flock producers (compared to RUR 134.2 million in 2011 (USD $4.2 million)).

Table 3. Investments into Construction and Reconstruction of New Poultry Farms in 2009, 2010, and 2011, million head per year

	2009	2010	2011
Commercial Egg Layers	1,693.2	702.7	1,342.9
Broilers	70.8	122.5	165.6

Source: Rosstat, Bulletin "Major Production Results in Agriculture in 2011"

Profitability of Poultry Production

Despite increased State investment, poultry market analysts report that the profitability of Russian production is decreasing due, in large part, to burgeoning production costs (e.g., a 17% increase in 2009 and another 7% increase in 2011). According to RUPP, poultry prices are not increasing at a rate consistent with increasing production costs. However, industry analysts believe that profitability can be increased with the use of high quality breeding stock and improved poultry health protection. Russia permits the use of antibiotics for health protection, however, the most developed establishments have reduced their applications due to human health concerns. The most significant Russian poultry producers have now begun to utilize alternative feed additives such as probiotics, prebiotics, supplements, and vitamins, which have improved weight gain.

Turkey production

In 2013, FAS/Moscow forecasts turkey production to increase by an additional 5%, when compared to 2012. This positive trend in production is due, in large part, to favorable ongoing government support programs. FAS/Moscow forecasts turkey production to increase to 100,000 MT during 2012 from 90,000 MT in 2011.

FAS/Moscow decreased its forecasted turkey production by 9% for 2012 due to slow implementation of the State-funded assistance projects. As of the summer of 2012, more than 10 different government support projects were approved for turkey production in different regions of Russia, including, but not limited to, Rostov, Penza, Sverdlovsk, Tambov, Voronezh, Ingushetia, and Bashkortostan. Each of these support projects has a goal of increasing production by 10,000-15,000 MT annually. According to the Russian National Association of Turkey Producers, the domestic turkey market is already the most profitable it has ever been (e.g., earnings are more than 40% above the reported cost of production). In fact, FAS/Moscow notes that turkey retail meat prices are nearly 2.5 times higher than poultry meat, but with nearly identical production costs.

Table 4. Russia: Turkey Production, Supply & Demand, 1,000 MT (ready-to-cook)

Poultry, Meat, Turkey Russia	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Production	90	90	110	100		105
Total Imports	33	27	30	20		20
Total Supply	123	117	140	120		125
Human Consumption	123	117	140	120		125
Total Dom. Consumption	123	117	140	120		125
Total Use	123	117	140	120		125
Total Distribution	123	117	140	120		125

Consumption:

Broiler Consumption

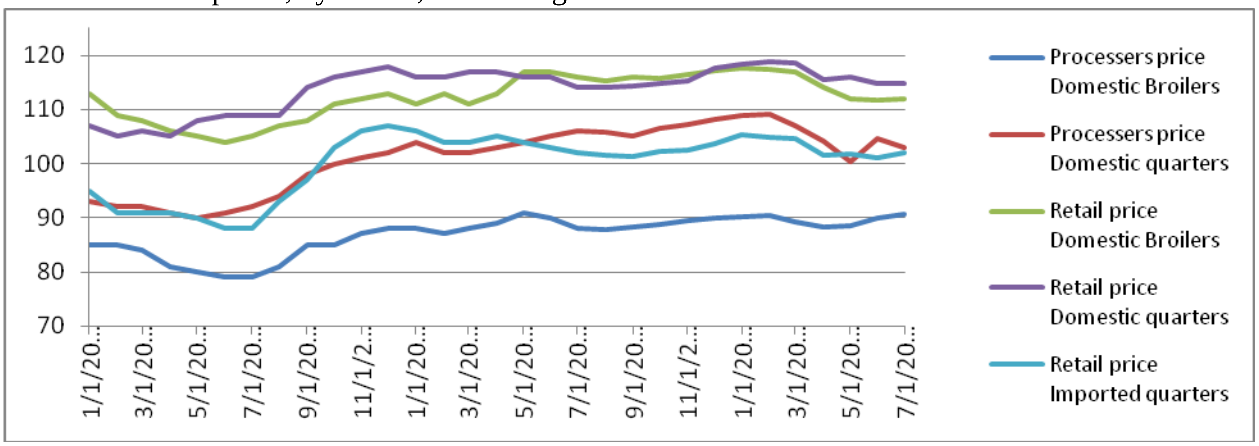
FAS/Moscow forecasts domestic broiler consumption will continue to grow in 2012 and 2013 as increased domestic production, coupled with imports, keep broiler retail prices more stable than the rest of the consumer basket. The Russian President, Vladimir Putin, told members of the State Duma this spring that Russia cannot completely halt imports of poultry meat because food prices must be controlled in Russia's big cities.

On average, Russian broiler wholesale prices were stable for the last three years. Nationally, prices averaged RUR 73.80/kilogram (USD $2.54/kilogram) in 2009, RUR72.82 (USD $2.51/kilogram.) in

2010, and RUR74.90/kilogram (USD $ 2.58/kilogram.) in 2011. Of course, prices vary from region to region depending on the incomes of the local populations. Broilers were marketed at a price higher than RUR70/kilogram (USD $2.41/kilogram) in 58% of Russia's regions, from RUR60/kilogram (USD $2.41/kilogram.) to RUR70/kilogram (USD $2.41/kilogram) in 29% of Russia's regions, and less than RUR60/kilogram (USD $2.41/kilogram) in 13% of the regions.

Although processor and retail prices began their traditional seasonal climb at the end of 2011, only the price for domestic chicken leg quarters surpassed the previous record high prices experienced in 2010, as a result of Russia's decision to reduce 2011 TRQ volume for broiler cuts that reduced imports from 586,630 MT in 2010 to 370,277 MT in 2011.

Chart 2. Broiler prices, by month, RUR/kilogram



Source: The Russian Ministry of Agriculture www.mcx.ru

Turkey Consumption

Although turkey production is increasing in Russia, turkey meat it is not traditionally consumed in Russia, with per capita annual consumption of turkey meat equivalent to less than 1.0 kilogram. In order to increase sales, large turkey producers have begun to advertise turkey meat as healthier than poultry and other meat products, as well as a viable option for barbeques. These efforts are slowly increasing turkey consumption, but at a pace consistent with production increases which has allowed prices to remain high.

Trade:

Broiler Imports

FAS/Moscow's import forecast for broiler meat in 2012 was increased by 3.0% to 515,000 MTs due to a significant increase in imports from Ukraine (which grew from 5,171 MT in January-June 2011 to 7,430 MT in January-June 2012) and a higher volume 2012 broiler TRQ (which will increase from 350,000 MT in 2011 to 364,000 MT in 2012). Moreover, FAS/Moscow forecasts Russian broiler imports to grow another 3.0% in 2013, as a result of growing duty free and quota-free imports from Ukraine and Belarus.

According to Global Trade Atlas (GTA), Russia imported 191,245 MT of broiler products in January-June 2012, a 17% increase over the same period in 2011. According to Belarus' Statistic Committee

(Belstat), Belarus additionally exported 44,024 MT of broiler products to Russia during the same time. [1]

Broiler Imports from Belarus

Belarus exported 74,000 MT of poultry meat in 2011, significantly more than the 15,000 MTs that were agreed upon between Russia and Belarus at the end of 2010. Moreover, deliveries continued to grow in 2012. For example, from January-April 2012, Belarus reportedly exported approximately 35,000 MT of poultry meat to Russia. RUPP requested that the Ministry of Agriculture restrict imports of Belarusian poultry, but officials from the Russia, Kazakhstan, Belarus CU commented that restrictions in mutual CU trade are destructive and contrary not only to the basic agreements on the establishment of a common economic space, but also to the principles of fair competition.

RUPP has also complained that production costs for imported poultry are approximately 30 percent lower compared to those of the domestic Russian industry. The reported wholesale price for whole broilers from Belarus is approximately RUR 85/kg (roughly USD $2.60); while domestic broilers prices vary from RUR 90/kg to RUR 92/kg (approximately $2.76 to $2.82) respectively. In addition to their lower price, Belorussian whole broilers are popular with Russian meat processors because of their reported quality.

Poultry Imports

According to the Russian Custom's Service, Russia imported 221,800 MT of poultry meat (classified under HSC 0207) which includes 34,600 MTs of imports from CIS member countries. Furthermore, 6,723 MTs of imports of prepared or preserved chicken meat (HSC 160232) increases the Russian Customs Service's total volume of poultry imports to 228,523 MTs in the first half of 2012.

Broiler Exports

FAS/Moscow forecasts Russian broiler exports to increase 10%, to 55,000 MT in 2013, most of which will be exported to Kazakhstan. Specifically, from January-May 2012, Russia exported USD $29.2 million worth of broiler meat and offal to CU member-countries, including $27.4 million to Kazakhstan and $1.8 million to Belarus.

Exports of poultry products outside of the CIS consist almost entirely of chicken paws to Asia. From January-June 2012, Russia's share of chicken paw exports from CIS countries was 95 percent. Last year, 18,323 MT of Russia's 19,102 MT exports, were attributable to chicken paw exports to Hong Kong (11,128 MT), Vietnam (6,424 MT) and China (332 MT).

Impact of Russia's Accession to the WTO

Russia's WTO accession has led the Russian domestic industry to try to identify global markets to which it can export product being produced by its growing industry. According to the Association of the Operators of the Russian Poultry Market, the most likely foreign markets for Russian broilers are CIS countries, Kazakhstan, Southeast Asian countries (e.g., Vietnam, Hong Kong, and China) where chicken paws are popular. According to trade sources, African countries are also interested in buying chicken from Russia, however they prefer chicken leg quarters, which are, in reality, limited for export because Russian consumers prefer this product.

Turkey Imports

FAS/Moscow forecasts 2013 turkey imports to remain flat compared to 2012, for which imports were forecast to decrease by 26% based on data from the first half of the year (when they were limited by the TRQ to boneless turkey meat).

[1] NOTE: Russia's Customs Service does not report imports from Belarus in its data so Belstat's export data represents additional imports into Russia not captured in GTA data.

Production, Supply and Demand Data Statistics:

Production Tables

Table 5. Russian Poultry Production, Agricultural establishments, Monthly 1,000 MT

	2010	2011	2012
Jan	269	297.5	341.9
Feb	260.2	287.2	340.9
March	290.1	318.2	370.5
April	287.2	309.7	362.6
May	283.9	324.4	362.5
June	267	316.2	361.2
July	271.7	304.9	N/A
Aug	271.2	314	N/A
Sept	289.9	321.2	N/A
Oct	297.7	338.1	N/A
Nov	302.3	346.4	N/A
Dec	330.1	378	N/A

Source: Rosstat

Table 6. Estimated poultry production in 2013-2020, slaughter weight, MT

	2013	2014	2015	2016	2017	2018	2019	2020
All producers	3,500	3,700	3,900	4,100	4,200	4,300	4,400	4,500
Agricultural establishments	3,180	3,380	3,570	3,770	3,860	3,960	4,050	4,150
Private household farms	320	320	330	330	340	340	350	350

Source: RUPP

Trade Tables

Table 7. Russia: Poultry Tariff-Rate Quotas in 2012

Commodity	First half of the year		Initial WTO Commitment	
	Tariff	MT	Tariff	MT
Chicken meat, frozen, bone-in1	IQ: 25%, ≥€0.20/kg OQ: 80%, ≥€0.70/kg	250	IQ: 25% OQ: 80%	250
Chicken meat, frozen, boneless2	IQ: 25%, ≥€0.20/kg OQ: 80%, ≥€0.70/kg	70	IQ: 25% OQ: 80%	100

----European Union			56	80
----other countries			14	20
Turkey meat, frozen, boneless3	IQ: 25%, ≥€0.20/kg OQ: 80%, ≥€0.70/kg	10	-	-
Turkey meat, frozen4	-	-	IQ: 25% OQ: 80%	14
Other Poultry meat, chilled/frozen5	-	-	IQ: 75% OQ: 80%	0

1 HS-0207.14.200 (bone-in halves and quarters), 0207.14.600 (bone-in legs and cuts thereof)
2 HS-0207.14.100 (boneless cuts)
3 HS-0207.27.100.1 (frozen boneless turkey cuts)
4 HS-0207.27.100.0 (boneless), 0207.300.0 (frozen whole wings), 0207.400.0 (backs, necks, rumps, wingtips), 0207.600.0 (drumsticks and cuts thereof), 0207.700.0 (other legs and cuts thereof)
5 HS-0207, not otherwise covered

Table 8. Russia Import, BROILER MEAT, by commodities

Commodity	Calendar year			Year to date		
	2009	2010	2011	June 2011	June 2012	%Δ 12/11
BROILER MEAT	913,216	618,445	389,989	163,933	191,245	16.66
020714	861,592	586,630	370,277	152,937	181,757	18.84
160232	10,328	10,068	17,004	10,036	6,723	- 33.01
020712	41,282	21,729	2,690	951	2,747	188.84

Source: Global trade Atlas

Table 9. Russia Import, BROILER MEAT, MT, by Countries

Partner Country	Quantity			Year to date		
	2009	2010	2011	June 2011	June 2012	% Δ 12/11
World	913,216	618,445	389,989	163,933	191,245	16.66
EU [1]	144,307	173,912	72,482	30,316	34,286	13.09
United States	694,357	294,920	239,306	87,457	107,418	22.82
Brazil	66,147	137,468	64,446	41,326	30,799	- 25.48
Germany	82,832	90,586	28,585	14,491	3,721	- 74.32
France	40,482	24,984	23,430	8,674	14,862	71.35
Ukraine	0	75	5,171	586	7,430	1,168.98

Source: Global trade Atlas

Table 10. Russian Export of BROILER MEAT, MT, by Commodities

Commodity	Description	Calendar year	Year to date

		2009	2010	2011	June 2011	June 2012	%Δ 12/11
BROILER T	BROILER	6,529	19,167	19,102	10,977	9,180	- 16.37
020714	Chicken Cuts And Edible Offal (Inc Livers), Frozen	4,898	17,202	18,323	10,629	8,732	- 17.85
020712	Meat & Offal Of Chickens, Not Cut In Pieces, Frozen	970	1,419	481	197	345	75.21
160232	Prepared Or Preserved Chicken	660	546	298	151	102	- 32.38

Source: Global trade Atlas

Table11. Russia Export of 020714, Chicken Cuts And Edible Offal (Incl. Livers) Frozen, MT

Commodity	Calendar year			Year to date		
	2009	2010	2011	June 2011	June 2012	%Δ 12/11
World	2,557	13,373	17,926	10,629	8,732	- 17.85
Hong Kong	1,236	8,420	11,128	6,553	5,857	- 10.63
Vietnam	1,101	4,521	6,424	3,604	2,432	- 32.53
China	0	46	332	N/A	N/A	N/A
Abkhazia	38	22	41	157	301	92.39

Sourse: Global trade Atlas

Table 12. Imports of Poultry Meat, Chilled and Frozen, HSC 0207; 1,000 MT

	Calendar year		Year to Date		
	2010	2011	June 2011	June 2012	%Δ 12/11
Total	649.9	418.8	164.1	221.8	35.6
Excluding CIS counties	649.8	413.6	163.5	187.2	14.5
CIS countries*	0.1	5.2	0.6	34.6	5,766

Source: Russian Federal Customs Service

*Excluding Belarus

Table 13 Imports of TURKEY MEAT, MT

Partner Country	Calendar year			Year To Date		
	2009	2010	2011	06/2011	06/2012	%Δ 12/11
World	40,993	35,121	26,468	11,625	7,731	-33.50
EU	28,868	26,787	17,907	7,881	3,917	-50.30
Brazil	5,701	8,177	7,124	3,460	2,793	- 19.29
France	15,547	11,313	11,126	5,168	682	- 86.80
Germany	6,737	9,042	5,002	1,641	2,271	38.37
United States	6,089	98	1,010	196	904	361.80

[1] Note that France and Germany are identified as significant importers, but are also included in reported EU data.

Author Defined:

Other relevant reports

2/21/2012 Production and Market Access Drive Consumption up
1/11/2012 GOR Distributes Meat and Poultry TRQs for 2012

8/16/2011 Consumption Recovers Strong in 2012